
How to Read the Budget

INTRODUCTION

The County Executive's Recommended Operating Budget and Public Services Program contains a comprehensive picture of the Executive's recommendations for the budget year beginning July 1, including changes from the previous fiscal year and program measures.

This book is published annually and transmitted to the County Council by March 15 as required by the County Charter. The final budget is approved by the County Council in late May and published by mid-July. All publications are available on the County's website: www.montgomerycountymd.gov.

CONTENTS OF THE OPERATING BUDGET DOCUMENT

The major components of the Recommended Operating Budget and Public Services Program are described below in order of appearance in this document.

County Executive's Budget Message and Highlights

The County Executive's message summarizes the financial status of the County, major recommended expenditure priorities for the upcoming fiscal year, and how the budget is funded. The highlights provide a listing of major program initiatives and changes recommended in the Executive's budget.

Operating Budget Process

This chapter provides a brief introduction and refers to the legal requirements for the annual budget process, and includes descriptions of government structure and government accounting methods and funds.

Fiscal Policy

This chapter describes the policies of Montgomery County government with respect to taxes, spending, and debt management. The purpose of fiscal policy is to provide guidance for sound public practice in the planning and financing of public expenditures, including the policy assumptions under which budget and tax decisions are made.

How to Fund the Budget

This chapter provides assumptions used to project revenues for funding the budget, including:

- demographic, economic, and fiscal trends that identify potential impacts on the County's overall expenditure requirements and revenues over the next six years; and

- detailed information and estimates on revenue categories and major sources of funds.

Capital Improvements Program (CIP)

This chapter describes the impacts of the annual Capital Budget and biennial Capital Improvements Program (CIP) on the Operating Budget and six-year Public Services Program (PSP), including a list of major CIP projects and funding sources for all agencies. The six-year CIP implies on-going commitment of resources in the PSP for: long- and short-term debt service; cash for non-debt eligible expenditures and debt avoidance; and costs to equip, open, staff, and maintain newly constructed facilities.

Workforce/Compensation

This chapter includes detailed information about negotiated settlements with certified employee bargaining units and unrepresented employees and covers both employee benefits and salary schedules. General data related to group insurance, disability protection, and employee retirement plans are also presented.

Agencies Summaries

The County Executive is required by the Charter to include recommendations on agency budgets for which the County Council sets tax rates or approves budgets. The Executive recommends expenditure levels and funding support, where applicable, for the budgets of the Public Schools, Montgomery College, the Montgomery County and bi-county (administration) portions of the Maryland-National Capital Park and Planning Commission, and the Montgomery County and bi-county portions of the Washington Suburban Sanitary Commission. A summary of the Housing Opportunities Commission budget is also included, containing the Executive's recommended operating budget appropriation. In addition, a section describing the Montgomery County Revenue Authority is provided as copies of the Revenue Authority budget are not available until after May 1 of each calendar year, as required by County Code.

Debt Service

Debt service is the amount the County must pay each year for the principal and interest on the County's bonded and other indebtedness. Debt service is presented both in terms of the specific bond allocations by category and fund and by sources of revenue, including six-year projections of debt service requirements.

County Government Recommended Department Budgets

The recommended budgets for departments and offices of the County Government are provided for the following:

- Legislative Branch (the County Council and legislative offices and boards);
- Judicial Branch (Circuit Court and State’s Attorney);
- Executive Branch (departments with functions related to General Government; Public Safety; Public Works and Transportation; Health and Human Services; Libraries; Culture, and Recreation; Community Development and Housing; Environment; and Other County Functions).

The presentations include: the department’s mission statement; description and cost of programs; recommended expenditure, revenue, and workforce allocations for the department; and recommended changes for next fiscal year’s budget. For more detailed information about department displays, see the section on “Department Budget Presentations” below.

Non-Departmental Accounts (NDAs)

The Non-Departmental Accounts section contains expenses essential to the operation of the County government which either do not fall within the functional assignment of any department or agency or provide for expenditures related to more than one department or agency. Examples include various grants to municipal governments, contributions to other funds, County government memberships (e.g., Maryland Association of Counties), and certain legally-mandated programs. Responsibility for administration of NDAs is assigned by the Chief Administrative Officer to specific departments. Although classified as an NDA, all utilities expenditures of the County government are displayed in a separate section to provide combined data on costs by energy type and user departments.

Budget Summary Schedules

The Summary Schedules section contains aggregate fiscal data for all agencies for which the County Council sets tax rates, makes levies, or approves programs and/or budgets. The schedules include expenditure and funding totals by agency, department, government function, and source of funding, with both dollar amounts and staffing (i.e., workyears and positions). Revenues are described and detailed by agency, fund, and type. Ten-year historical trends are also included for major expenditure categories, revenue sources, the government workforce, and tax rates.

Glossary

The Glossary contains a definition of terms and acronyms commonly used throughout both the PSP and CIP budget documents.

Index

The Index contains an alphabetical listing of all Montgomery County government programs, including the administering department and the page number.

DEPARTMENT BUDGET PRESENTATIONS

For each department within Montgomery County government and for most Agency summaries, the budget presentation includes:

Mission Statement: the overall purpose of the department (or major division), including the goals or results it expects to achieve for the community or its function in the County government.

Budget Overview: recommended appropriations for the department, with changes from the prior fiscal year, in dollars, workyears, and percentage change. If a department’s budget contains charges to others or to the Capital Improvements Program (CIP), these charges are summarized here.

Highlights: department highlights, including major service impacts or revenue changes, and productivity improvements implemented within the last year.

Program Contacts: department and OMB contacts for the budget, including phone numbers.

Program Summary: listing of each program, including recommended expenditures and workyears. One workyear is the equivalent to 2,080 work hours or 260 workdays.

Trends: expenditures, workyears, and related revenues for the prior year; as budgeted and estimated for the current fiscal year; and as recommended for the forthcoming fiscal year are displayed in bar charts.

Workyears reflect staff time charged to the department’s operating budget. Some departments charge Personnel Costs to other departments or to the CIP, but these are not reflected in the workyear figures. Instead, the recommended workyears and dollar amounts for charges to other departments or the CIP are summarized in the “Budget Overview” section.

Related revenues are generated or received by the department as a direct result of its activities. These include user fees, permits and licenses, grants, intergovernmental aid and reimbursements, and other miscellaneous revenues. If the department does not generate or receive revenues, no bar chart is displayed.

Program Descriptions: provides a descriptive narrative of the program, including, as applicable:

- Nature, functions, and features of program activity;
- The public need to which the program responds;
- Who or what benefits from the program activity; and
- What the resources allocated will provide to the community.

Recommended Changes: highlights major program changes, if any, based on recommended budget actions. A

table displays the recommended program expenditures and workyears for next fiscal year compared to the current year's approved budget.

Budget Summary: summary data for the department, including actual expenditures for the prior fiscal year, the approved budget and estimated expenditures for the current fiscal year, and the County Executive's recommended budget for the coming fiscal year. The presentation includes, by fund, expenditures within appropriation category (Personnel Costs, Operating Expenses, Capital Outlay, and Debt Service); personnel requirements (full-time and part-time positions and workyears); and related revenue sources. Appropriation categories within the Budget Summary include:

- **Salaries and Wages:** the cost of all salary expenses for both full-time and part-time positions, including other personnel cost adjustments (e.g., overtime, shift differential, multilingual pay, etc.).
- **Employee Benefits:** social security, group insurance, and retirement. Additional information regarding employee benefits may be found in the Workforce/Compensation chapter of this document.
- **Operating Expenses:** those costs required to support the operations of the agency, including such items as contracted services, printing, motor pool, and office supplies.
- **Debt Service** (for M-NCPPC Enterprise, Parking Districts, Solid Waste Disposal funds only): the annual payment of principal and interest on bonded indebtedness (for both general obligation and other debt) incurred by departments/agencies funded by a Special or Enterprise fund.
- **Capital Outlay:** funding for the acquisition of fixed assets that have a value of \$5,000 or more and a useful life of more than one year.

Recommended Changes: describes department-wide expenditure and workyear changes from the current year's approved budget to next fiscal year's recommended budget. The crosswalk includes:

- Additional items funded in next year's recommended budget for new or expanded services.
- Decreases from last year's approved budget relating to reduction in service or elimination of one-time funding in the base for printers, servers, etc.
- Negotiated compensation.
- Group insurance and retirement rate adjustments.
- Rate adjustments for other expenses such as motor pool, printing and mail, occupational medical, risk management, etc.
- Increases or reductions in charges to or from other departments (including charges to the CIP).
- Shifts in resources to another department.

- Other personnel cost adjustments, including changes related to annualization of current year increments; position or job class reclassifications; staff turnover; and lapse changes.
- Other operating expense changes, including inflation adjustments for contracts, rent, etc.

The presentation is organized under two categories: first by items with service impacts, then by other adjustments with no service impacts. Under each category, the items are organized by largest to smallest dollar value change.

A verb precedes each recommended crosswalk item. The following verbs describe service impact changes:

Verb and Definition
Add – New funding for services that presently do not exist.
Enhance – More of an existing service or improvement to the quality of an existing service.
Eliminate – Total elimination of an existing service, with no anticipation of the service being provided by another entity.
Reduce – Reduction but not elimination of an existing service.

The following verbs describe other adjustments with no service impact changes:

Verb and Definition
Increase Cost – Additional expenditures to provide the same quantity and scope of existing services (e.g., compensation or benefit increases).
Decrease Cost – Reduction in cost without service impact (e.g., elimination of one-time items approved in the current fiscal year).
Shift – The transfer of service delivery and attendant costs between County Government departments; or elimination or reduction of a service, with the anticipation that the service will be provided by another entity (e.g., State, private sector).
Replace – County assumption of responsibilities previously provided by a non-county entity or funded by a restricted grant (e.g. Federal/State/private).

Future Fiscal Impacts: provides potential future fiscal impacts of the department's programs by fund over a six-year period when measured against the Executive's recommended budget for the next fiscal year.

Six-Year Public Services Fiscal Plan: estimates of costs over the six-year planning period are included as overall projections of total resources and use of resources for many Montgomery County non-tax supported funds such as the Permitting Services Fund and Solid Waste Disposal and

Collection Funds. These figures are based on major known commitments, and the projected assumptions are explained.

Service Maps and Other Exhibits: additional information (e.g., location of Police, Fire, Library, or Recreation facilities) relevant to the department is provided, as applicable.

PROGRAM MEASURES

Introduction

It is important for a government to monitor and report not only what it is doing and how much it is spending, but also how well it is doing. Montgomery County's long-standing commitment to efficient, effective, and responsive government, quality service, customer satisfaction, and accountability underscores the need for performance information.

At the same time, citizens continue to be concerned about what they are getting for their tax dollars. A system of performance measures can help to address those concerns as well. By providing comprehensive data on program performance, the County can enhance the public's understanding of "the business of government."

Montgomery Measures Up! is Montgomery County's attempt to address the management needs and citizen concerns described above. It is a comprehensive, long-term effort to clearly define what the County is seeking to achieve with taxpayer dollars and then to measure and manage progress toward meeting those goals. The emphasis is on assessing the performance of individual programs or parts of programs ("program elements") since these are the basic "units" for delivering government services and the entities on which most government managers focus. The performance of each program or program element is reported using a "family of measures" that includes input, output, efficiency, service quality, and program outcome measures. These measures provide a comprehensive overview of the performance of the program or program element from multiple perspectives, ranging from what it costs (inputs) to what it achieves (outcomes) and how efficient it is in producing those results. Because the focus is on specific programs rather than departments or other organizational units, we refer to these indicators as "program measures."

The goal of the *Montgomery Measures Up!* initiative is to make performance measurement—program measures and an emphasis on results—an integral part of the way the County allocates its resources, manages its programs, and reports its progress and achievements. The regular collection, reporting, and use of program measures is becoming an increasingly important management tool for County government.

How to Read the Program Measures Displays

Many of the sections describing the budgets for the departments and offices of the County Government include program measures displays that present information on the performance of an individual program or program element. The following types of information can be found in these displays:

Program: This identifies the budgetary program being measured. A full description of each department's programs can be found in the department's section of the Recommended PSP Budget.

Program Element: In some cases, a budgetary program is so broad that a more manageable part of the program must be used; this is referred to as a program element.

Program Mission: A broad statement of the purpose - the reason for existence - of a departmental program or program element: why the program is being undertaken, for whom it is undertaken, and what it is supposed to accomplish.

Community Outcomes Supported: Broadly stated effects on the community as a whole. They may be the result of programs from several governmental organizations, as well as private sector activities.

(Program) Outcomes/Results: The direct results of a program or program element on clients, users, or other target groups; the degree to which the program's mission is achieved.

Service Quality: The degree to which customers are satisfied with a program, the accuracy or timeliness with which the service is provided, and other measures that focus on the excellence of the service delivery process itself.

Efficiency: Outputs per unit of input, inputs per unit of output, and similar measures used to gauge how well resources are being used to produce goods and services.

Workload/Outputs: The amount of services provided, units produced, or work accomplished (outputs), or the external demand that drives County activities (workload).

Inputs: Resources used to produce an output or outcome, such as workyears or expenditures.

Actual performance data are shown for the three most recently completed fiscal years. The BUDGET column shows projected results based on the resources budgeted for the current year, and the CE REC column gives the projected performance under the County Executive's recommended budget for the next fiscal year. Because the County's accounting system does not track expenditures by program, it

is often difficult to determine actual expenditures on a program (or program element) in any given fiscal year. Where actual program expenditures are not available, the amount originally budgeted for the program is used.

Montgomery Measures Up! continues to evolve. Some of the measures shown are new; some programs currently lack certain types of measures; and prior year or projected results may not be available for certain measures. The latter condition is signified by “NA.” Results that are shown as “TBD” correspond to a new measure that is still “To Be Developed” or an established measure whose results have been delayed (e.g., because of the need to wait for data from the State). The inclusion of “TBD” in conjunction with a new measure signifies the department’s commitment to develop that measure in time to provide results for the fiscal year indicated.

Departmental Outcome Measures Displays

While program measures displays focus on individual programs and program elements, some departments have chosen to provide an exhibit highlighting the department’s overall performance. These “departmental outcome measures displays” show the organization’s overall vision and mission, key indicators of the degree to which the department is achieving that mission (departmental outcome measures), and how as a group the department’s programs contribute to those outcomes. Departmental outcome measures can include program outcome measures for a department’s major programs, measures of community outcomes that are especially salient for the given department, and/or measures of results that emerge from the effects of several of the department’s programs.

Additional Information on Performance

This document includes only a few of the many program measures displays that County departments have prepared in connection with this budget. All of the measures and displays developed by County departments are available in a separate report, *Montgomery Measures Up!*, which can be viewed on the OMB website, www.montgomerycountymd.gov/OMB.